

1 Laurence M. Rosen, Esq. (SBN 219683)

2 **THE ROSEN LAW FIRM, P.A.**

3 355 South Grand Avenue, Suite 2450

4 Los Angeles, CA 90071

5 Telephone: (213) 785-2610

6 Facsimile: (213) 226-4684

7 Email: lrosen@rosenlegal.com

8 Counsel for Plaintiff

9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 ANTHONY DELAROSA, Individually  
12 and on behalf of all others similarly  
13 situated,

14 Plaintiff,

15 v.

16 STATE STREET CORPORATION,  
17 JOSEPH L. HOOLEY, EDWARD J.  
18 RESCH, and MICHAEL W. BELL,

19 Defendants.  
20

**Case No:**

**CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

21 Plaintiff Anthony Delarosa (“Plaintiff”), individually and on behalf of all other  
22 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s  
23 complaint against Defendants (defined below), alleges the following based upon  
24 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and  
25 belief as to all other matters, based upon, inter alia, the investigation conducted by  
26 and through Plaintiff’s attorneys, which included, among other things, a review of  
27 the defendants’ public documents, conference calls and announcements made by  
28 defendants, United States Securities and Exchange Commission (“SEC”) filings,

1 wire and press releases published by and regarding State Street Corporation (“State  
2 Street” or the “Company”), analysts’ reports and advisories about the Company, and  
3 information readily obtainable on the Internet. Plaintiff believes that substantial  
4 evidentiary support will exist for the allegations set forth herein after a reasonable  
5 opportunity for discovery.

#### 6 **NATURE OF THE ACTION**

7 1. This is a federal securities class action on behalf of a class consisting of  
8 all persons and entities other than Defendants who purchased or otherwise acquired  
9 the publicly traded securities of State Street between February 27, 2012 and January  
10 18, 2017, both dates inclusive (the “Class Period”). Plaintiff seeks to recover  
11 compensable damages caused by Defendants’ violations of the federal securities laws  
12 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange  
13 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

#### 14 **JURISDICTION AND VENUE**

15 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)  
16 of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated  
17 thereunder by the SEC (17 C.F.R. §240.10b-5).

18 3. This Court has jurisdiction over the subject matter of this action under  
19 28 U.S.C. §1331 and §27 of the Exchange Act.

20 4. Venue is proper in this District pursuant to §27 of the Exchange Act (15  
21 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Defendants conduct business and maintain  
22 offices in this district, and a significant portion of the Defendants’ actions, and the  
23 subsequent damages, took place within this District.

24 5. In connection with the acts, conduct and other wrongs alleged in this  
25 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of  
26 interstate commerce, including but not limited to, the United States mail, interstate  
27 telephone communications and the facilities of the national securities exchange.  
28

## **PARTIES**

6. Plaintiff, as set forth in the accompanying Certification, purchased State Street securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

7. Defendant State Street, through its subsidiaries, provides a range of financial products and services to institutional investors worldwide. The Company is incorporated in Massachusetts and its principal executive offices are located at One Lincoln Street, Boston, Massachusetts. The Company also maintains offices at 1801 Century Park East, Suite 1440, Los Angeles, California 90067-2316. State Street's common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol "STT."

8. Defendant Joseph L. Hooley ("Hooley") has been the Chairman of State Street since January 1, 2011, and has been its Chief Executive Officer ("CEO") since March 1, 2010.

9. Defendant Edward J. Resch ("Resch") served as Executive Vice President of State Street from 2002 until September 30, 2013. Defendant Resch served as Chief Financial Officer ("CFO") of State Street from 2002 to August 2013.

10. Defendant Michael W. Bell ("Bell") has been the CFO of State Street since August 2013, and has been its Executive Vice President since 2013.

11. Defendants Hooley, Resch and Bell are sometimes referred to herein as the "Individual Defendants."

12. Each of the Individual Defendants:

- (a) directly participated in the management of the Company;
- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was privy to confidential proprietary information concerning the Company and its business and operations;

- 1 (d) was directly or indirectly involved in drafting, producing, reviewing  
2 and/or disseminating the false and misleading statements and  
3 information alleged herein;
- 4 (e) was directly or indirectly involved in the oversight or implementation of  
5 the Company's internal controls;
- 6 (f) was aware of or recklessly disregarded the fact that the false and  
7 misleading statements were being issued concerning the Company;  
8 and/or
- 9 (g) approved or ratified these statements in violation of the federal securities  
10 laws.

11 13. The Company is liable for the acts of the Individual Defendants and its  
12 employees under the doctrine of *respondeat superior* and common law principles of  
13 agency because all of the wrongful acts complained of herein were carried out within  
14 the scope of their employment.

15 14. The scienter of the Individual Defendants and other employees and  
16 agents of the Company is similarly imputed to the Company under *respondeat*  
17 *superior* and agency principles.

18 15. The Company and the Individual Defendants are referred to herein,  
19 collectively, as the "Defendants."

## 20 SUBSTANTIVE ALLEGATIONS

### 21 Materially False and Misleading Statements

22 16. On February 27, 2012, the Company filed a Form 10-K for the fiscal  
23 year ended December 31, 2011 (the "2011 10-K") with the SEC, which provided the  
24 Company's year-end financial results and position and stated that the Company's  
25 internal control over financial reporting and disclosure controls and procedures were  
26 effective as of December 31, 2011. The 2011 10-K was signed by Defendants  
27 Hooley and Resch. The 2011 10-K also contained signed certifications pursuant to  
28 the Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Hooley and Resch attesting

1 to the accuracy of financial reporting, the disclosure of any material changes to the  
2 Company's internal controls over financial reporting, and the disclosure of all fraud.

3 17. On February 22, 2013, the Company filed a Form 10-K for the fiscal  
4 year ended December 31, 2012 (the "2012 10-K") with the SEC, which provided the  
5 Company's year-end financial results and position and stated that the Company's  
6 internal control over financial reporting and disclosure controls and procedures were  
7 effective as of December 31, 2012. The 2012 10-K was signed by Defendants  
8 Hooley and Resch. The 2012 10-K also contained signed SOX certifications by  
9 Defendants Hooley and Resch attesting to the accuracy of financial reporting, the  
10 disclosure of any material changes to the Company's internal controls over financial  
11 reporting, and the disclosure of all fraud.

12 18. On February 21, 2014, the Company filed a Form 10-K for the fiscal  
13 year ended December 31, 2013 (the "2013 10-K") with the SEC, which provided the  
14 Company's year-end financial results and position and stated that the Company's  
15 internal control over financial reporting and disclosure controls and procedures were  
16 effective as of December 31, 2013. The 2013 10-K was signed by Defendants  
17 Hooley and Bell. The 2013 10-K also contained signed SOX certifications by  
18 Defendants Hooley and Bell attesting to the accuracy of financial reporting, the  
19 disclosure of any material changes to the Company's internal controls over financial  
20 reporting, and the disclosure of all fraud.

21 19. On February 20, 2015, the Company filed a Form 10-K for the fiscal  
22 year ended December 31, 2014 (the "2014 10-K") with the SEC, which provided the  
23 Company's year-end financial results and position and stated that the Company's  
24 internal control over financial reporting and disclosure controls and procedures were  
25 effective as of December 31, 2014. The 2014 10-K was signed by Defendants  
26 Hooley and Bell. The 2014 10-K also contained signed SOX certifications by  
27 Defendants Hooley and Bell attesting to the accuracy of financial reporting, the  
28

1 disclosure of any material changes to the Company's internal controls over financial  
2 reporting, and the disclosure of all fraud.

3 20. On February 19, 2016, the Company filed a Form 10-K for the fiscal  
4 year ended December 31, 2015 (the "2015 10-K") with the SEC, which provided the  
5 Company's year-end financial results and position and stated that the Company's  
6 internal control over financial reporting and disclosure controls and procedures were  
7 effective as of December 31, 2015. The 2015 10-K was signed by Defendants  
8 Hooley and Bell. The 2015 10-K also contained signed SOX certifications by  
9 Defendants Hooley and Bell attesting to the accuracy of financial reporting, the  
10 disclosure of any material changes to the Company's internal controls over financial  
11 reporting, and the disclosure of all fraud.

12 21. The statements referenced in ¶¶ 16 - 20 above were materially false  
13 and/or misleading because they misrepresented and failed to disclose the following  
14 adverse facts pertaining to the Company's business, operational and financial results,  
15 which were known to Defendants or recklessly disregarded by them. Specifically,  
16 Defendants made false and/or misleading statements and/or failed to disclose that:  
17 (1) State Street engaged in a scheme to defraud a number of its clients by secretly  
18 applying commissions to billions of dollars of securities trades; (2) State Street's  
19 billing practices relied on unsustainable methodologies; (3) over a 18-year period,  
20 approximately \$240 million or more of expenses may have been incorrectly invoiced  
21 to State Street's asset servicing clients; (4) from June 2010 until September 2011,  
22 State Street charged clients "substantial" mark-ups without their consent; and (5) as a  
23 result, Defendants' public statements were materially false and misleading at all  
24 relevant times.

### 25 **The Truth Emerges**

26 22. On January 31, 2014, *Bloomberg* published an article entitled "State  
27 Street Fined \$37.7 Million in U.K. for Hidden Fees," stating that "State Street Corp.'s  
28 U.K. unit was fined 22.9 million pounds (\$37.7 million) by the Financial Conduct

1 Authority for charging clients ‘substantial’ mark-ups without their consent,” stating  
2 in pertinent part:

3 **State Street Fined \$37.7 Million in U.K. for Hidden Fees**

4  
5 *Suzi Ring and Christopher Condon*

6 January 31, 2014, 1:02 PM EST

7  
8 State Street Corp.’s U.K. unit was fined 22.9 million pounds (\$37.7  
9 million) by the Financial Conduct Authority **for charging clients**  
10 **“substantial” mark-ups without their consent.**

11 State Street, the third-biggest custody bank, **“developed and**  
12 **executed a deliberate strategy” to charge undisclosed fees on top**  
13 **of agreed management or commission payments at a unit that**  
14 **helps institutions restructure their investments**, the FCA said in an  
15 e-mailed statement.

16 **“State Street U.K. allowed a culture to develop in the U.K.**  
17 **Transitions Management business which prioritized revenue**  
18 **generation over the interests of its customers,”** said Tracey  
19 McDermott, FCA director of enforcement and financial crime. “Their  
20 conduct has fallen far short of our expectations.”

21 **From June 2010 until September 2011, Boston-based State Street**  
22 **deliberately overcharged six clients a total of \$20.2 million,** the  
23 FCA said. Total revenue for the unit that overcharged clients during  
24 the same period was \$77.9 million, meaning the extra money  
25 represented 26 percent of revenue. The firm received a 30 percent  
26 discount for settling early with the FCA, avoiding a larger fine of 32.7  
27 million pounds.

28 State Street fell 1.4 percent to \$67.27 at 12:24 p.m. in New York.

**‘Unacceptable Situation’**

“Over the past several years, we have worked hard to enhance our  
controls to address this unacceptable situation,” State Street said in



1 a statement on its website. “The FCA in its notice is critical of our  
2 business controls within the U.K. transition management business and  
3 our control functions in the U.K. at that time. We acknowledge these  
4 as historical problems and have undertaken extensive efforts to  
address both.”

5 The FCA said it didn’t find any evidence that executives outside State  
6 Street’s Portfolio Solutions Group for Europe, Middle East and Africa  
7 had knowledge of the charges or of attempts to conceal them.  
8 State Street said it “dismissed individuals centrally involved in the  
9 overcharging” in 2011. Alicia Curran Sweeney, a spokeswoman,  
declined to comment further on the former employees involved.

10 The hidden fees came on a service State Street provides to large  
11 customers such as asset managers and pension funds, helping them  
12 switch money between outside asset managers or when they  
restructure investments.

13  
14 **In several instances, State Street executives quoted fixed fees to its**  
15 **clients, who were not identified in the FCA’s statement, and then**  
16 **built in extra profit through undisclosed mark-ups on securities**  
trades, according to the FCA.

17  
18 **Employee E-mails**

19 One customer made changes to \$6 billion invested in bonds. After an  
20 initial transaction, **State Street’s report to the client made no**  
21 **reference to mark-ups that amounted to \$2,738,344**, the FCA said.

22 When the same client ordered another transaction, one State Street  
23 executive within the unit sent another an e-mail reading, “Back up the  
24 truck!,” according to documents made available by the FCA.

25 Before the second transaction, managers also exchanged e-mail  
26 messages discussing whether State Street’s lawyers had examined  
documents related to the deal.

27  
28 “Did they [legal] look at the original agreement?” wrote one manager.



1 “Absolutely not. Nor did they look at the periodic notice. This can of  
2 worms stays closed!,” the colleague wrote back, **adding that there is**  
3 **“no way” they could disclose the spread, or the profit taken for**  
4 **executing trades.**

### 5 **Cover Up**

6 The extra charges eventually came to light after a client hired a  
7 consultant who examined publicly available bond pricing and found  
8 undisclosed mark-ups.

9 Managers in the unit tried to cover up the charges by claiming they  
10 were “inadvertent” and rebated the company \$1 million. They also  
11 told State Street’s compliance officials the charges were erroneous.

12 **An internal investigation later revealed the charges were added**  
13 **deliberately and the firm notified regulators.** The company has  
14 audited the unit and added new policies for recording, approving and  
15 monitoring client charges within it.

16 “We have bolstered our control functions, governance and culture  
17 across all of our UK businesses,” the company said in the statement.  
18 Custody banks keep records, track performance and lend securities for  
19 institutional investors including mutual funds, pension funds and  
20 hedge funds. State Street also manages investments for individuals  
21 and institutions.

22 [Emphasis added].

23 23. On this news, shares of State Street fell \$3.64 per share, or over 5.3%,  
24 over two trading days to close at \$64.60 per share on February 3, 2014, damaging  
25 investors.

26 24. On December 17, 2015, before market hours, State Street filed a Form 8-  
27 K with the SEC announcing “that it has incorrectly invoiced certain expenses to asset  
28 servicing clients”, and that “[b]ased upon the Company’s preliminary assessment,

1 over the 18-year period for which it has accessible records, approximately \$200  
2 million or more of expenses may have been incorrectly invoiced.” The Company  
3 admitted regret and stated that it will “make any required improvements to its billing  
4 practices,” stating in pertinent part:

5  
6 State Street Corporation announced today that it is informing  
7 clients about a review that it initiated into the manner in which it  
8 invoiced certain expenses to asset servicing clients. The review,  
9 which is not complete, addresses the amounts invoiced for specific  
10 categories of expenses. **Based on the results of the review to date,**  
11 **State Street believes that it has incorrectly invoiced certain**  
12 **expenses to asset servicing clients, primarily in the United States.**  
13 **State Street deeply regrets this matter.** At the conclusion of its  
14 review, State Street will compensate affected clients fully, including  
15 interest, and **make any required improvements to its billing**  
16 **practices.**

17  
18 **Based upon the Company’s preliminary assessment, over**  
19 **the 18-year period for which it has accessible records,**  
20 **approximately \$200 million or more of expenses may have been**  
21 **incorrectly invoiced.** During this 18-year period, State Street  
22 estimates that it has invoiced asset servicing clients a total of  
23 approximately \$400 million for expenses falling within the categories  
24 being reviewed. Annual amounts invoiced for these expenses ranged  
25 from approximately \$9 million in the early years to approximately \$36  
26 million in 2014. The actual amount to be reimbursed to clients will  
27 not be known until the review is completed, and that amount could  
28 differ materially from the Company’s preliminary assessment. In  
fiscal year 2014, the categories of expenses under review represented  
approximately 0.7 percent of State Street’s total asset servicing fee  
revenue of \$5.1 billion.

The Company will provide additional information on this  
matter in its scheduled fourth quarter 2015 earnings release and call  
on January 27, 2016.

State Street is likely to reflect in its consolidated financial  
statements reported as of December 31, 2015 obligations in

1 connection with the above-described review. In addition, it has  
2 notified certain governmental authorities about its review. State Street  
3 may become subject to regulatory inquiries and litigation in  
4 connection with this matter, and there can be no assurance as to the  
5 outcome of any proceedings that may be commenced against it. The  
6 exposure associated with any proceedings that may be threatened,  
7 commenced or filed against State Street could have a material adverse  
8 effect on its consolidated results of operations for the period in which  
9 it establishes a reserve with respect to such potential liability or upon  
10 its reputation.

11 [Emphasis added].

12 25. On this news, shares of State Street fell \$3.88 per share, or over 5.6%,  
13 over two trading days to close at \$64.73 per share on December 18, 2015, damaging  
14 investors.

15 26. On January 27, 2016, before market hours, State Street issued a press  
16 release entitled “State Street Reports Fourth-Quarter 2015 GAAP-Basis EPS of \$1.34  
17 on Revenue of \$2.5 Billion; Full-Year 2015 GAAP-Basis EPS of \$4.47 on Revenue  
18 of \$10.4 Billion” revealing that the Company incurred a “pre-tax charge of  
19 approximately \$17 million” for “interest on the amounts to be reimbursed in  
20 connection with our previously disclosed review of amounts we invoiced clients for  
21 certain expenses during an 18-year period,” and “the cumulative amount to be  
22 reimbursed over the review period, totaling approximately \$240 million, has been  
23 reflected as a liability in our consolidated balance sheet,” stating in pertinent part:

24 **State Street Reports Fourth-Quarter 2015 GAAP-Basis EPS of**  
25 **\$1.34 on Revenue of \$2.5 Billion; Full-Year 2015 GAAP-Basis**  
26 **EPS of \$4.47 on Revenue of \$10.4 Billion**

27 **Fourth-quarter 2015 operating-basis(a) EPS was \$1.21, on**  
28 **revenue of \$2.6 billion; Full-year 2015 operating-basis EPS was**  
**\$4.89 on revenue of \$10.6 billion**

1 Wednesday, January 27, 2016 7:00 am EST

2  
3 **Dateline:**

4 BOSTON

5 **Public Company Information:**

6 NYSE:

7 STT

8 US8574771031

9  
10 BOSTON--([BUSINESS WIRE](#))--In announcing today's financial  
11 results, Joseph L. Hooley, State Street's chairman and chief executive  
12 officer said, "Our performance in the fourth quarter reflects the  
13 continued challenges presented throughout 2015, including  
14 challenging global equity markets, particularly in emerging markets,  
15 persistent low interest rates, the strengthening U.S. dollar, and  
16 heightened regulatory expectations. We were successful at managing  
17 expenses in the quarter in light of the pressure on revenues. In  
18 addition, we grew fee revenue in 2015 and achieved strong new  
19 business results as evidenced by new asset servicing commitments of  
20 approximately \$300 billion this quarter and a total of \$800 billion in  
21 2015."

19 \* \* \*

20 Fourth quarter of 2015 GAAP-basis results included the following  
21 notable items:

- 22
- 23 • \$81.5 million pre-tax gain, or \$49 million after-tax, related to the  
24 final payoff of a commercial real estate loan acquired as a result of  
the Lehman Brothers bankruptcy.
  - 25 • **A pre-tax charge of approximately \$17 million that reflects our**  
26 **intention to pay clients interest on the amounts to be**  
27 **reimbursed in connection with our previously disclosed review**  
28 **of amounts we invoiced clients for certain expenses during an**  
**18-year period. In addition, the cumulative amount to be**  
**reimbursed over the review period, totaling approximately**

1       **\$240 million, has been reflected as a liability in our**  
2       **consolidated balance sheet**, of which \$223 million, or \$145  
3       million after-tax, relates to periods prior to the 2015 fiscal year and  
4       is reflected in the beginning retained earnings balance of our  
5       consolidated statement of shareholders' equity as of December 31,  
6       2014. All prior period financial information within this news  
7       release and addendum has been revised to reflect the impact of the  
8       reimbursement on each prior period presented. See the addendum  
9       included with this news release for further information regarding  
10      the impact of the reimbursement on prior periods, including a  
11      reconciliation of the previously reported financial results to the  
12      revised financial results presented in this news release and  
13      addendum.

14      [Emphasis added].

15      27. On this news, shares of State Street fell \$4.02 per share, or over 7.1%,  
16      from its previous closing price to close at \$51.91 per share on January 27, 2016,  
17      damaging investors.

18      28. On April 5, 2016, *Reuters* published an article entitled "Ex-State Street  
19      executives charged in U.S. for defrauding clients" stating that "U.S. prosecutors  
20      announced charges on Tuesday against two former State Street Corp executives for  
21      scheming to defraud six clients, including Irish and British government pension  
22      funds, through secret commissions on billions of dollars of trades," stating in  
23      pertinent part:

24      CREDIT RSS | Tue Apr 5, 2016 | 12:16pm EDT

25      **Ex-State Street executives charged in U.S. for defrauding clients**

26      By Nate Raymond

27      **U.S. prosecutors announced charges on Tuesday against two**  
28      **former State Street Corp executives for scheming to defraud six**  
    **clients, including Irish and British government pension funds,**  
    **through secret commissions on billions of dollars of trades.**

1 Ross McLellan, a former State Street executive vice president, was  
2 arrested on charges including securities fraud and wire fraud  
3 contained in an indictment filed in federal court in Boston, where the  
4 custody bank is based.

5 The indictment also charged Edward Pennings, a former senior  
6 managing director at State Street who worked in the bank's London  
7 office.

8 McLellan, 44, was arrested in Hingham, Massachusetts, where he  
9 lives. Pennings, 45, is believed to be living overseas and was not  
10 arrested, prosecutors said.

11 \* \* \*

12 The case followed a 2014 settlement between State Street and the UK  
13 Financial Conduct Authority in which the bank paid a fine of £22.9  
14 million (about \$37.8 million) for charging the six clients “substantial  
15 mark-ups” on certain transitions.

16 State Street said in a statement that it has been cooperating with the  
17 U.S. investigation, and has “significantly strengthened” the controls  
18 and reporting mechanisms within the U.K. business unit at issue.

19 **According to the indictment, McLellan, Pennings and others**  
20 **conspired from 2010 to 2011 to add secret commissions to fixed**  
21 **income and equity trades performed for the six clients of a unit of**  
22 **the bank.**

23 That unit helps institutional clients move their investments between  
24 asset managers or liquidate large investment portfolios, prosecutors  
25 said.

26 “With each trade, they chipped away at the savings of thousands of  
27 retirees whose pensions they were charged with safeguarding,”  
28 Boston U.S. Attorney Carmen Ortiz said in a statement.

1 The commissions came on top of fees the clients agreed to pay and  
2 despite written instructions to the bank's traders that the clients should  
3 not be charged trading commissions, prosecutors said.

4 The clients affected included Irish and British government pension  
5 funds and a Middle Eastern sovereign wealth fund, the indictment said.  
6 McLellan and Pennings took steps to hide the commissions,  
7 prosecutors said. They said the scheme was discovered after one client  
8 inquired in 2011 whether it had been overcharged.

9 The case is U.S. v. McLellan, U.S. District Court, District of  
10 Massachusetts, no. 16-cr-10094.

11 [Emphasis added].

12 29. On this news, shares of State Street fell \$1.19 per share, or over 2%,  
13 from its previous closing price to close at \$57.61 per share on April 5, 2016,  
14 damaging investors.

15 30. On January 18, 2017, the U.S. Department of Justice announced that  
16 State Street entered into a deferred prosecution agreement and agreed to pay a \$32.3  
17 million criminal penalty to resolve charges that it engaged in a scheme to defraud a  
18 number of the bank's clients by secretly applying commissions to billions of dollars  
19 of securities trades. State Street also agreed to offer an equal amount as a civil penalty  
20 to the SEC, equaling an aggregate settlement of more than \$64 million. State Street  
21 admitted the allegations and agreed to a deferred prosecution agreement that requires  
22 it to employ an independent corporate compliance monitor for three years.

23 31. On this news, shares of State Street fell \$1.46 per share, or over 1.8%,  
24 over two trading days to close at \$78.74 per share on January 19, 2017, damaging  
25 investors.

26 32. As a result of Defendants' wrongful acts and omissions, and the  
27 precipitous decline in the market value of the Company's securities, Plaintiff and  
28 other Class members have suffered significant losses and damages.



**PLAINTIFF'S CLASS ACTION ALLEGATIONS**

33. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired State Street securities publicly traded on the NYSE during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

34. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, State Street securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by the Company or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

35. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

36. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

37. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- 1 • whether the federal securities laws were violated by Defendants' acts as  
2 alleged herein;
- 3 • whether statements made by Defendants to the investing public during  
4 the Class Period misrepresented material facts about the financial  
5 condition, business, operations, and management of the Company;
- 6 • whether Defendants' public statements to the investing public during the  
7 Class Period omitted material facts necessary to make the statements  
8 made, in light of the circumstances under which they were made, not  
9 misleading;
- 10 • whether the Individual Defendants caused the Company to issue false  
11 and misleading SEC filings and public statements during the Class  
12 Period;
- 13 • whether Defendants acted knowingly or recklessly in issuing false and  
14 misleading SEC filings and public statements during the Class Period;
- 15 • whether the prices of State Street securities during the Class Period were  
16 artificially inflated because of the Defendants' conduct complained of  
17 herein; and
- 18 • whether the members of the Class have sustained damages and, if so,  
19 what is the proper measure of damages.

20 38. A class action is superior to all other available methods for the fair and  
21 efficient adjudication of this controversy since joinder of all members is  
22 impracticable. Furthermore, as the damages suffered by individual Class members  
23 may be relatively small, the expense and burden of individual litigation make it  
24 impossible for members of the Class to individually redress the wrongs done to them.  
25 There will be no difficulty in the management of this action as a class action.

26 39. Plaintiff will rely, in part, upon the presumption of reliance established  
27 by the fraud-on-the-market doctrine in that:  
28

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- State Street securities are traded in efficient markets;
- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold State Street securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

40. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

41. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

## **COUNT I**

### **Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Against All Defendants**

42. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

1        43. This Count is asserted against the Company and the Individual  
2 Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b),  
3 and Rule 10b-5 promulgated thereunder by the SEC.

4        44. During the Class Period, the Company and the Individual Defendants,  
5 individually and in concert, directly or indirectly, disseminated or approved the false  
6 statements specified above, which they knew or deliberately disregarded were  
7 misleading in that they contained misrepresentations and failed to disclose material  
8 facts necessary in order to make the statements made, in light of the circumstances  
9 under which they were made, not misleading.

10        45. The Company and the Individual Defendants violated §10(b) of the 1934  
11 Act and Rule 10b-5 in that they:

- 12        • employed devices, schemes and artifices to defraud;
- 13        • made untrue statements of material facts or omitted to state material  
14 facts necessary in order to make the statements made, in light of the  
15 circumstances under which they were made, not misleading; or
- 16        • engaged in acts, practices and a course of business that operated as a  
17 fraud or deceit upon plaintiff and others similarly situated in connection  
18 with their purchases of State Street securities during the Class Period.

19        46. The Company and the Individual Defendants acted with scienter in that  
20 they knew that the public documents and statements issued or disseminated in the  
21 name of the Company were materially false and misleading; knew that such  
22 statements or documents would be issued or disseminated to the investing public; and  
23 knowingly and substantially participated, or acquiesced in the issuance or  
24 dissemination of such statements or documents as primary violations of the securities  
25 laws. These defendants by virtue of their receipt of information reflecting the true  
26 facts of the Company, their control over, and/or receipt and/or modification of the  
27 Company's allegedly materially misleading statements, and/or their associations with  
28

1 the Company which made them privy to confidential proprietary information  
2 concerning the Company, participated in the fraudulent scheme alleged herein.

3 47. Individual Defendants, who are the senior officers and/or directors of  
4 the Company, had actual knowledge of the material omissions and/or the falsity of  
5 the material statements set forth above, and intended to deceive Plaintiff and the other  
6 members of the Class, or, in the alternative, acted with reckless disregard for the truth  
7 when they failed to ascertain and disclose the true facts in the statements made by  
8 them or other personnel of the Company to members of the investing public,  
9 including Plaintiff and the Class.

10 48. As a result of the foregoing, the market price of State Street securities  
11 was artificially inflated during the Class Period. In ignorance of the falsity of the  
12 Company's and the Individual Defendants' statements, Plaintiff and the other  
13 members of the Class relied on the statements described above and/or the integrity of  
14 the market price of State Street securities during the Class Period in purchasing State  
15 Street securities at prices that were artificially inflated as a result of the Company's  
16 and the Individual Defendants' false and misleading statements.

17 49. Had Plaintiff and the other members of the Class been aware that the  
18 market price of State Street securities had been artificially and falsely inflated by the  
19 Company's and the Individual Defendants' misleading statements and by the material  
20 adverse information which the Company's and the Individual Defendants did not  
21 disclose, they would not have purchased State Street securities at the artificially  
22 inflated prices that they did, or at all.

23 50. As a result of the wrongful conduct alleged herein, Plaintiff and other  
24 members of the Class have suffered damages in an amount to be established at trial.

25 51. By reason of the foregoing, the Company and the Individual Defendants  
26 have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder  
27 and are liable to the Plaintiff and the other members of the Class for substantial  
28

1 damages which they suffered in connection with their purchases of State Street  
2 securities during the Class Period.

3 **COUNT II**

4 **Violation of Section 20(a) of The Exchange Act**  
5 **Against The Individual Defendants**

6 52. Plaintiff repeats and realleges each and every allegation contained in the  
7 foregoing paragraphs as if fully set forth herein.

8 53. During the Class Period, the Individual Defendants participated in the  
9 operation and management of the Company, and conducted and participated, directly  
10 and indirectly, in the conduct of the Company's business affairs. Because of their  
11 senior positions, they knew the adverse non-public information regarding the  
12 Company's business practices.

13 54. As officers and/or directors of a publicly owned company, the Individual  
14 Defendants had a duty to disseminate accurate and truthful information with respect  
15 to the Company's financial condition and results of operations, and to correct  
16 promptly any public statements issued by the Company which had become materially  
17 false or misleading.

18 55. Because of their positions of control and authority as senior officers, the  
19 Individual Defendants were able to, and did, control the contents of the various  
20 reports, press releases and public filings which the Company disseminated in the  
21 marketplace during the Class Period. Throughout the Class Period, the Individual  
22 Defendants exercised their power and authority to cause the Company to engage in  
23 the wrongful acts complained of herein. The Individual Defendants therefore, were  
24 "controlling persons" of the Company within the meaning of Section 20(a) of the  
25 Exchange Act. In this capacity, they participated in the unlawful conduct alleged  
26 which artificially inflated the market price of State Street securities.

27 56. Each of the Individual Defendants, therefore, acted as a controlling  
28 person of the Company. By reason of their senior management positions and/or being

1 directors of the Company, each of the Individual Defendants had the power to direct  
2 the actions of, and exercised the same to cause, the Company to engage in the  
3 unlawful acts and conduct complained of herein. Each of the Individual Defendants  
4 exercised control over the general operations of the Company and possessed the  
5 power to control the specific activities which comprise the primary violations about  
6 which Plaintiff and the other members of the Class complain.

7 57. By reason of the above conduct, the Individual Defendants are liable  
8 pursuant to Section 20(a) of the Exchange Act for the violations committed by the  
9 Company.

10 **PRAYER FOR RELIEF**

11 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

12 A. Determining that the instant action may be maintained as a class action  
13 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the  
14 Class representative;

15 B. Requiring Defendants to pay damages sustained by Plaintiff and the  
16 Class by reason of the acts and transactions alleged herein;

17 C. Awarding Plaintiff and the other members of the Class prejudgment and  
18 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and  
19 other costs; and

20 D. Awarding such other and further relief as this Court may deem just and  
21 proper.

22 **DEMAND FOR TRIAL BY JURY**

23 Plaintiff hereby demands a trial by jury.

24 Dated: January 27, 2017

Respectfully submitted,

26 **THE ROSEN LAW FIRM, P.A.**

27 By: /s/ Laurence M. Rosen  
28 Laurence M. Rosen, Esq. (SBN 219683)



355 S. Grand Avenue, Suite 2450  
Los Angeles, CA 90071  
Telephone: (213) 785-2610  
Facsimile: (213) 226-4684  
Email: lrosen@rosenlegal.com

Counsel for Plaintiff